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07102



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**STATEMENT BY MAYOR KENNETH A. GIBSON ON NEWARK'S
FISCAL CONDITION AND THE NEED FOR LAYOFFS**

"The City of Newark has at least a \$28 million problem. More precisely, Newark is short \$28 million it would need to maintain City operations at the same level of the past budget year. It is highly unlikely that we will be able to do this. 7510

"In order to bring the problem to a manageable level, it will be necessary to lay off 131 employees. Of these employees, 62 will come from the fire department and 69 will be scattered throughout various departments and agencies. No policemen will be laid off.

"Managing the City budget over the past few years is reminiscent of the days when doctors let blood to cure patients. Unavoidably, the patients became weaker just as the constant need to cut in order to maintain a balanced budget is making the City weaker.

"There are some actions which my administration would consider which would cut into the \$28 million deficit. These items would include increased sewer tax, water tax, license fees and a payroll tax. The proposed increase in sewer and water taxes is a direct result of increased costs to the City of Newark.

"We are in the middle of a deep recession. No economist has been able to predict when we will come out of it. It is not a matter of being cruel to water users or sewer users or licensees or businesses; it is not a matter of robbing Peter to pay Paul; it is a matter of

survival. Cities around the country, some in far worse condition than Newark relatively speaking, are faced with these same kinds of problems.

"I have no intention of politicizing the water, sewer, license increase issue. The Newark Municipal Council would have to vote its conscience and the citizens of the City of Newark would have to be subject to that decision. However, it should be clearly understood that no administrator can run a City without resources and, in hard times, those resources must invariably come from the people--all the people.

"At other times, when we have faced deficits, I have made appeals to the President of the United States for assistance. I doubt that President Reagan understands or cares to understand the plight of people in Newark and other cities around the country. On the other hand, whatever additional revenues which can be enacted in Washington through bipartisan cooperation, born out of an empathetic understanding of conditions in urban areas throughout this country, I will be a part urging their enactment.

"Again, the Cap Law has come back to haunt the entire budget process. In this area, I hold out hope that Governor Thomas Kean and the State Legislature will at least allow us in Newark to do that which we can do without the strict restraints of the Cap Law.

"No economic policy should be perceived of as having been written in granite, remaining in place irrespective of changing conditions. Life itself is a process of change and, perhaps, it is time now for the Governor and the Legislature to help cities to survive by relaxing some of the Cap restraints.

"If it is necessary or unavoidable to increase the payroll tax, I would wish that the major businesses in Newark would cast their lot with the rest of us and not shift personnel to avoid paying the tax. If we all perceive of Newark as a community, then the community-minded thing for all of us to do is to share the burden during these hard times. If we do not begin this process at this point, we could start down the path to a rich/poor society with very few people in the middle. I do not believe this will happen; but believing is not enough. We must show that social responsibility necessary to make sure it does not happen.

"The City of Newark needs the services of the people who will be laid off. The people who will be laid off need their jobs in order to hold their lives together. Those people who would be paying increased user fees for things like sewerage and water, if the Administration and the Newark Municipal Council chooses to enact these ordinances, should compare their situation to those who might end up on the unemployment line. Or think about those people on the bread lines.

"There are those who believe that public responsibility can be disregarded for private initiative. It is the opinion of my administration that public responsibility and private initiative must come together in a sensible formula which will help residents to maintain a reasonable quality of life and gives the cities the ability to maintain services which are adequate.

"I wish I could promise the citizens of Newark that this is the end of the down-spiral with these layoffs and by resolving the \$28 million deficit by one means or another, but I am afraid I cannot. There are solutions, but the federal and state governments will have to dare to use them."

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